

## **LOUDOUN COUNTY PUBLIC EMPLOYEE HOMEOWNERSHIP GRANT PROGRAM**

### **Program Information for Lenders**

Loudoun County's Public Employee Homeownership Grant Program (PEG) is a program offering a grant of a secured loan to employees of the County of Loudoun, Loudoun County Public Schools and Courts and Constitutional officers. Loudoun County Office of Housing oversees the program. Loans are forgivable at 20% of the loan amount annually over a five year period, providing employee does not leave employment, sell the home or no longer occupies the residence. Repayment of remaining non-forgiven funds will become due and payable to the County as detailed under Grant Terms and Conditions below.

The PEG Grant amount is \$10,000 for the purchase of a home located in Loudoun County for applicants that meet all eligibility requirements. Funds are limited and first come/first served. There is no guarantee additional funds will be allocated once fully utilized. Program information is detailed below:

#### **ELIGIBILITY/REQUIREMENTS:**

1. Must be a full or part-time (minimum 20 hours per week) non-probationary employee. Temporary employees, seasonal employees or volunteers are not eligible.
2. Cannot own another dwelling or real estate in Loudoun County or anywhere within the United States, foreign land or country. Employees selling a home located outside Loudoun County to relocate to the County must close on the sale of the property prior to settlement of Loudoun County property. Proof will be required prior to settlement. If not provided, the County will not approve settlement on new property and may rescind approval for PEG funds.
3. Shall not have been a resident of Loudoun County during the 12 months preceding the date of application. **Exception:** First-time homebuyers are exempt from 12 month residency requirement. Proof of residency will be required.
4. Gross annual household income **must** fall within **\$42,700 through \$99,650**. Income range is subject to change based on annual HUD calculations.

#### **GRANT TERMS AND CONDITIONS:**

1. PEG loans must be used in conjunction with Conventional, FHA, VA, or VHDA first trust mortgage products or subject to program approval. **No subprime or ARM first trust loans are allowed.**
2. Applicant's ownership interest in property to be purchased must be equal to or greater than 50%.

3. Applicant will be forgiven 20% of the loan for each 12 month period, based on property settlement date, that the borrower remains an employee as defined above. The loan shall be completely forgiven if applicant remains an employee for 60 months.
4. **This loan is considered taxable income**; a 1099 will be issued annually for reporting purposes. Applicant will be responsible for declaring income on Federal and State Tax returns.
5. This loan is recorded as a subordinate lien on the property.
6. Applicant will be required to sign a promissory note secured by a Deed of Trust on property purchased.
7. Funds may not be used as earnest money. Fees provided to the lender at application cannot be reimbursed to applicants with PEG loan funds.
8. Homebuyers must contribute a minimum of \$1,000 of their own funds towards the downpayment/closing costs prior to settlement.
9. **No cash-back at closing is allowed.**
10. Recording fees are required.
11. Checks for the approved amount will be issued at closing payable jointly to borrower and borrower's settlement attorney or agent.
12. A one-time \$200 servicing fee is due at closing payable to County of Loudoun. This fee may not be financed. Personal check, money order or cashier's checks are all acceptable (no cash allowed). The County reserves the right to postpone settlement if not provided.
13. Borrower must occupy the dwelling as his/her primary residence at all times following settlement.
14. Assessed value of property cannot exceed \$408,100.
15. Only one application for a grant of a secured loan per household regardless of eligibility.
16. An individual grant of a secured loan is available one-time only per applicant.
17. Any amount of the loan not forgiven due to
  - 1) Sale of the dwelling within 60 months,
  - 2) Employee no longer employed as defined above or
  - 3) employee no longer occupying the dwelling as his/her primary residence – shall become due and payable to the County, with interest, and the County will have the right to enforce all remedies under the Note and Deed of Trust granted by the applicant to the County.
  - **NOTE:** If applicant leaves employment as defined above or no longer occupies the property as his/her primary residence, the remaining grant funds not forgiven will be converted to a repayable loan at 3% interest. Loan term lengths will be determined by original amount of grant funds received. If home is sold prior to 60 months, remaining grant funds not forgiven will be repaid with proceeds of sale and lien released.

#### **APPLICATION & RESERVATION PROCEDURE:**

Applicant may apply online at [www.loudoun.gov/housing](http://www.loudoun.gov/housing) under the Homeownership Loan Programs link

1. Property to be purchased must be identified on the application. Applications are not processed until all required documentation has been provided per the website instructions.
2. Proof of employment will be required from applicant's Human Resources Department.
3. **Please note: A lien will be placed on the property for this loan.**
4. **Applicant should submit application package no later than 60 days prior to closing** or risk postponement of settlement date. Exceptions will be considered on a case by case basis.
5. All requests for funding will be submitted to the PEG Loan Committee for funding approval/denial. Lender packages must be submitted no later than 3 days prior to Loan Committee. Please confirm PEG Loan Committee dates with Loan Specialist.
6. **PLEASE NOTE:** DTI ratios exceeding 32/42 may be denied for assistance. Exceptions may be considered for ratios up to 33/44 with a minimum of three (3) Compensating Factors on a case by case basis. Ratios exceeding 33/44 will be denied by the Loan Specialist and not eligible for consideration by Loan Committee.
7. Example of Compensating Factors are:
  - The borrower has demonstrated an ability to accumulate savings and a conservative attitude toward the use of credit.
  - The borrower has successfully demonstrated the ability to pay housing expenses equal to or greater than the proposed monthly housing expense for the new mortgage.
  - The borrower makes a large down payment
  - There is only a minimal increase in the borrower's housing expense
  - The borrower has substantial documented cash reserves (at least three months' worth) after closing.
  - The borrower has a potential for increased earnings, as indicated by job training or educations in the borrower's profession.
8. Lender to submit the following for presentation to PEG Loan Committee:
  1. 1003
  2. IFW (or similar form replacing your company's previous GFE document)
  3. Request for Reservation of PEG Funds
9. If approved by Loan Committee and funds are available, a Grant Commitment will be sent to applicant for review and signature. Funding will not be reserved until applicant has signed and returned document to Loan Specialist nor check ordering process started. A copy of the ratified Grant Commitment and signed Reservation Request form will be sent to lender.
10. **Following PEG Loan Committee approval, settlement may not take place for at least 15 business days. No exceptions are allowed.**
11. **Please note: If applicant does not return Grant Commitment within 2 days, settlement date may have to be extended.**
12. Applicant must attend a VHDA Homebuyer Education Class or take the class online. Certificates of Completion must be submitted to DFS no later than one week prior to closing.

13. All borrowers must attend a Loudoun County HomeCents Seminar either prior to or within 6 months of settlement.

**Please Note:** The issuance of a loan under this program does not constitute an agreement by Loudoun County that applicant's employment shall be continued, rather, employment shall continue to be dependent upon the same considerations as if no loan had been issued.

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